

EXHIBIT 197

BEAR STEARNS	AML Investigative Report – Regulatory/Law Enforcement Inquiry		BS-019613
Date Inquiry Received:	August 15, 2007		
Type of Inquiry:	Subpoena		
Source of Inquiry:	U.S. Attorney's Office for the Southern District of Florida		
Individuals/Entities Named in Inquiry (dated 8/27/07):	J. Epstein Virgin Islands Foundation, Inc.; J. Epstein & Company, Inc.; Epstein Interests; Financial trust Company; NES, LLC; New York Group, Inc.; JEJE, Inc.; Hyperion Air, Inc.		
Account(s) Referenced in Inquiry:	None		
	Account Number	Account Name	
Period Referenced in Inquiry:	January 1, 2001 – present		
Responsive Account(s):	See file		
	Account Number	Account Name	Introducing Broker-Dealer/Branch
Contact with Regulatory Agency/Law Enforcement:			
<p>On August 27, 2007, members of the Firm's AML and Litigation departments spoke with Assistant U.S. Attorney Ann Marie Villafana (the "AUSA"), regarding the scope of the Grand Jury Subpoena (the "Subpoena"). Given the large volume of accounts maintained for the benefit of Epstein or for the benefit of his clients—that he controlled or had discretionary trading authority—the Firm sought to clarify the basis for the Subpoena request thus enabling the Firm to produce the documents most responsive to the AUSA's Subpoena and relevant to her investigation. The AUSA agreed to send a letter detailing the dates and accounts that were of primary importance to the AUSA's investigation (the AUSA sent two letters, dated August 27 and September 6, 2007 which provided more detail as to what documents the AUSA was interested in obtaining). During the conversation, the AUSA stated that Bear Stearns was not a target of the investigation. Moreover, a member of the AML Group asked the AUSA if any of the activity concerning the Epstein investigation might have triggered a reporting requirement for the Firm. The AUSA answered that question in the negative.</p>			

Relevant Due Diligence:

On August 15, 2007, Bear Stearns received a Grand Jury Subpoena from the U.S. District Court for the Southern District of Florida. The subpoena sought all documents referring or relating to Jeffrey Epstein ("Epstein") from January 1, 2001 to the present. Additionally, the subpoena sought all employment records maintained at the Firm for Epstein.

According to public information, Epstein was employed at the Firm in 1976 as a junior assistant to a floor trader. Apparently, Epstein developed several relationships with the Firm's executives. Various reports indicate that Epstein may have left Bear Stearns in 1981 under questionable circumstances.

Epstein is a money manager for ultra-wealthy clients such as Leslie Wexner, Founder, Chairman, and CEO of the Limited Brands. Epstein is rumored to only accept client's with over 1 billion to invest in his company, J. Epstein & Co.

Public information revealed that in July 2006, a Grand Jury in Florida indicted Epstein on one count of felony solicitation of prostitution. While the Palm Beach Police thought there was "probable cause" to charge him with unlawful sex acts with minors, and lewd and lascivious molestation, the Grand Jury found the claims to be unsubstantiated and not credible. The credibility of some of the teenage girls was undermined by one of Epstein's lawyers, well-known Harvard Law Professor Alan Dershowitz. Epstein was not charged with unlawful sex act with minors.

Based upon the above-described conversation with the AUSA, the federal Grand Jury inquiry into Epstein stemmed from the state investigation.

The following is an excerpt from an article in the NY Post appearing on October 1, 2007:

Epstein, 54, will admit to felony charges in the next month or so in a Florida state court, sources said.

The silver-haired moneyman also is expected to be ordered to serve a shorter period of house confinement in his pink Palm Beach mansion after release from prison.

Sources said state prosecutors, who in 2006 charged Epstein with solicitation of prostitution, will upgrade the offense because the females were under 18, the age of consent in Florida. But Epstein, who denies knowing any of the girls were under 18, is not going to be charged with having sex with underage girls, sources said.

The feds have agreed to drop their probe into possible federal criminal violations in exchange for the guilty plea to the new state charge, with the understanding that he will do prison time, sources said.

A review of the Probable Cause Affidavit (dated 5/1/06) revealed that Epstein had apparently wire transferred via Western Union \$1,000 to one or more of the females referenced in various news reports and the Probable Cause Affidavit as a "Christmas Bonus." Additionally, public information indicated that at some point, Epstein made a \$100,000 donation to a massage parlor.

Period Reviewed:	From:		To:	
	Month	Year	Month	Year
Account(s) Does Not Appear to be Implicated in the Alleged Wrongdoing				X
Activity Appears to be Normal And Expected				
Activity Appears to be Consistent with Legitimate Business Purposes				
Other				

Resolution:

Bear Stearns reviewed accounts maintained at the Firm for the benefit of Epstein. Specifically, the Firm sought to identify any transfers out of these accounts in the amounts of \$1,000 or \$100,000. The accounts reviewed were:

1. Jeffrey Epstein a/c 086-52060: **Purged** – 8/1/00.
2. Jeffrey Epstein a/c 038-28825: No outgoing wires in the amounts of \$100,000 or \$1,000.
3. Jeffrey Epstein a/c 353-01417: No outgoing wires in the amounts of \$100,000 or \$1,000.
4. Jeffrey Epstein a/c 107-21034: **Purged** – 6/03/05 (last account activity 4/30/03).
5. Jeffrey Epstein a/c 207-40729: This a/c # has been recycled.
6. Jeffrey Epstein a/c 107-21012: **Purged** – 6/3/05 (last account activity 4/30/03).
7. Jeffrey Epstein a/c 612-40991: **Purged** – 6/21/07 (last account activity 4/30/03).
8. Jeffrey Epstein a/c 612-40990: **Purged** – 6/21/07 (last account activity 8/31/05).
9. Jeffrey Epstein a/c 086-50771: **Purged** – 8/1/00.
10. Jeffrey Epstein a/c 222-90343: Epstein transferred his assets out of the account in June and July 1997.
11. Epstein Interests a/c 207-42032: **Purged** – a/c no. recycled (new beneficial owner).
12. Epstein Interests a/c 038-39970: Several same-name \$100,000 wire transfers sent from this account.

The review of these accounts revealed no suspicious or unusual third party wire transfers consistent with those mentioned in the above-describe Probable Cause Affidavit or news articles.

Based upon the available facts, this investigation is closed and nothing further is deemed necessary.

Due Diligence Report Received and Attached	
Account(s) Added to Due Diligence Watchlist	
Scratchpad Added to Account(s)	
Account(s) Added to AMLMS Focus List	
Discussed Relevant Issues with Appropriate Personnel	
AML Representative:	Matthew Truax Name
AML Officer	Arthur Middlemiss Name